

Michigan

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

(In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR		NON-MAJOR		GOVERNMENTAL
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	TOTALS	ACTIVITIES -- INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	\$ -	\$ 513,759	\$ -	\$ 513,759	\$ -
Receipts from customers	1,687,768	1,182,877	638,170	3,508,815	1,542,449
Payments to employees	(10,578)	-	(10,758)	(21,336)	(158,151)
Payments to suppliers	(45,035)	-	(502,158)	(547,193)	(676,224)
Payments to prize winners	(994,372)	-	-	(994,372)	-
Payments for commissions to retailers	(151,322)	-	-	(151,322)	-
Claims paid	-	(2,474,455)	-	(2,474,455)	(619,988)
Other receipts	-	1,678	1,511	3,189	96,720
Other payments	-	-	(1,391)	(1,391)	(7,872)
Net cash provided (used)					
by operating activities	\$ 486,461	\$ (776,141)	\$ 125,374	\$ (164,306)	\$ 176,935
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Loans or loan repayments from other funds	\$ -	\$ -	\$ -	\$ -	\$ 32,653
Loans or loan repayments to other funds	-	-	-	-	(32,388)
Specific tax on spirits	-	-	11,297	11,297	-
Transfers to other funds	(596,753)	(145,210)	(135,323)	(877,287)	(689)
Net cash provided (used)					
by noncapital financing activities	\$ (596,753)	\$ (145,210)	\$ (124,026)	\$ (865,990)	\$ (424)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ (303)	\$ -	\$ -	\$ (303)	\$ (11,988)
Interest paid	-	-	-	-	(265)
Capital lease payments					
(including imputed interest expense)	-	-	-	-	(19,707)
Proceeds from sale of capital assets	-	-	-	-	361
Net cash provided (used) by capital and related financing activities	\$ (303)	\$ -	\$ -	\$ (303)	\$ (31,599)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale and maturities					
of investment securities	\$ 110,029	\$ 812,269	\$ -	\$ 922,298	\$ -
Interest and dividends on investments	905	107,286	1,099	109,290	4,664
Income from securities lending activities	3,673	-	-	3,673	-
Expenses from securities lending activities	(3,314)	-	-	(3,314)	-
Net cash provided (used)					
by investing activities	\$ 111,293	\$ 919,555	\$ 1,099	\$ 1,031,947	\$ 4,664
Net cash provided (used) - all activities	\$ 697	\$ (1,796)	\$ 2,446	\$ 1,347	\$ 149,575
Cash and cash equivalents					
at beginning of year	4,801	19,008	44,810	68,619	130,072
Cash and cash equivalents					
at end of year	\$ 5,498	\$ 17,212	\$ 47,256	\$ 69,966	\$ 279,647

The accompanying notes are an integral part of the financial statements.

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	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				
	MAJOR		NON-MAJOR		
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	TOTALS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Per Statement of Net Assets Classifications:					
Cash	\$ 2	\$ 3,527	\$ 1	\$ 3,530	\$ 39
Equity in common cash	6,493	13,685	55,327	75,505	288,256
Warrants outstanding	(997)	-	(8,072)	(9,068)	(8,648)
Cash and cash equivalents at end of year	<u>\$ 5,498</u>	<u>\$ 17,212</u>	<u>\$ 47,256</u>	<u>\$ 69,966</u>	<u>\$ 279,647</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 594,956	\$ (772,453)	\$ 122,927	\$ (54,569)	\$ (21,847)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	165	-	-	165	47,752
Amortization of prize award obligation discount	(44,088)	-	-	(44,088)	-
Other reconciling items	358	-	-	358	2,217
Net Changes in Assets and Liabilities:					
Inventories	1,440	-	(268)	1,172	703
Other assets (net)	(13,949)	(5,897)	1,511	(18,335)	88,106
Accounts payable and other liabilities	(1,791)	2,149	1,203	1,561	60,003
Prize awards payable	(50,630)	-	-	(50,630)	-
Deferred revenue	-	60	-	60	-
Net cash provided (used) by operating activities	<u>\$ 486,461</u>	<u>\$ (776,141)</u>	<u>\$ 125,374</u>	<u>\$ (164,306)</u>	<u>\$ 176,935</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ 7,851
Cost of capital assets acquisitions financed by capital leases	-	-	-	-	10,065
Capital lease liabilities entered into during the year	-	-	-	-	(10,065)
Increase (decrease) in fair value of investments	(22,884)	-	-	(22,884)	-
Transfers to other funds (accrual)	(25,048)	(26,403)	-	(51,451)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(349)
Total noncash investing, capital, and financing activities	<u>\$ (47,932)</u>	<u>\$ (26,403)</u>	<u>\$ -</u>	<u>\$ (74,335)</u>	<u>\$ 7,502</u>